

BUDGET LETTER

SUBJECT: INFORMATION TECHNOLOGY BUDGETING GUIDELINES	NUMBER: BL 06-05
REFERENCES: BUDGET LETTERS 04-04 AND 06-04; STATE ADMINISTRATIVE MANUAL SECTIONS 4800-5180, AND 6700-6780; EXECUTIVE ORDER D-59-02 ; STATEWIDE INFORMATION MANAGEMENT MANUAL	DATE ISSUED: April 17, 2006 SUPERSEDES: BL 05-06

TO: Agency Secretaries
Agency Information Officers
Department Directors
Departmental Budget Officers
Departmental Chief Information Officers
Departmental Information Security Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Agency Information Officers (AIO), departmental Chief Information Officers (CIO), and departmental Information Security Officers (ISO) should note the subscription service available, described in this Budget Letter (BL), for Information Technology (IT) budget-related information.

The Department of Finance (Finance) has responsibility for budgeting and controlling IT expenditures under its general powers of supervision specified in Government Code Section 13070. As such, Finance approval is required for proposed IT expenditures. The State Administrative Manual (SAM) Section 4819 provides definitions and summarizes the compliance requirements for the administration of IT in state government. Additional detail regarding specific requirements, policies, or procedures is provided throughout SAM Sections 4800 through 5180, SAM Sections 6700 through 6780, and the Statewide Information Management Manual (SIMM). Updates to these policies, specific reporting criteria, procedures, and forms will be addressed through Finance BLs. This BL focuses on Finance IT reporting requirements and policies. It is not intended to specify the IT reporting requirements of other state or governmental organizations, such as the Department of General Services (DGS). These policies apply to all departments except those identified in SAM Section 4819.32. Departments must adhere to all state policies, procedures, directives, and guidelines pertaining to IT. Each department should review the applicable SAM Sections and SIMM in conjunction with this BL to ensure complete understanding of the reporting requirements.

Purpose

This BL discusses the criteria and the cost threshold for reporting proposed IT expenditures that require Finance approval. This BL also provides information concerning the various IT activities that require reporting to Finance, and reminds departments of internal reporting relationships for your AIOs, CIOs and Chief ISOs.

Departments are advised that IT proposals (Feasibility Study Reports [FSRs], Special Project Reports [SPRs]), reviewed by Finance must include a full discussion of the project oversight, risk, and measurable objectives. In addition, documentation in support of projects should be commensurate with the nature, scope, complexity, risk, and expected cost of the project. Again, the documentation requirements are contained in SIMM.

IT security considerations must be addressed as well. Project proposals must address applicable risk management program elements as defined in SAM Section 4842.2, and must describe how the department's ISO will be involved in the project. Project oversight information should be included in the "Project Monitoring" section, FSR Section 6.6 and SPR Section 4.6. Risk management information should be included in the "Risk Management Plan" section, FSR Section 7.0 and SPR Section 5.0. Security information should be included in the "Solution Description" section, FSR Section 5.0 and where appropriate for any project changes in the SPR.

BL 04-04, issued February 27, 2004, modified the implementation of the Statewide Information Technology Oversight Framework for Calendar Year 2004. The BL: (1) described the revised Independent Project Oversight Report (IPOR); (2) required that IPORs for: (a) medium and high criticality projects be submitted to the Office of Technology Review, Oversight, and Security (OTROS), and (b) low criticality projects be submitted to the appropriate entity within the organization; (3) summarized the requirement for a Post Implementation Evaluation Report (PIER) within 18 months of project completion; and (4) reiterated the importance of appropriate IT project management, risk management, and independent expert project oversight. This BL extends the calendar year references discussed in BL 04-04 through fiscal year 2006-07.

Criteria For Reporting

In accordance with SAM Sections 4819.34 through 4819.42, SAM Section 4945, SAM Sections 4989 through 4989.3, and SAM Section 6730, each department must receive Finance approval of reportable projects prior to the release of a solicitation document or the commitment of resources to procure, develop, or implement a new IT investment or modify an existing IT investment. IT investment proposals are reportable to Finance if any of the following conditions exist:

1. A Finance budget action is required to fund all or part of the IT expenditure.
2. The new system development or acquisition is specifically required by legislative mandate or is subject to specific legislative review, as specified in Budget Act control language or other legislation.
3. The total development cost is above the delegated cost threshold established by Finance, and does not meet the criteria of a desktop and mobile computing commodity expenditure as discussed in SAM Sections 4989 through 4989.3.
4. When a significant change in state policy draws into question the assumptions underlying the project.
5. The occurrence of any reporting conditions previously imposed by Finance.

Any proposed IT expenditure that meets one or more of the above criteria must be reported to Finance. Comprehensive information for IT project reporting, including instructions to assist departments in meeting Finance reporting requirements, can be found in the Finance-SIMM website located at <http://www.dof.ca.gov/HTML/IT/SIMM/SIMM.htm>. In addition, if the proposed expenditure meets the condition specified in criteria 1, the department must submit the appropriate budget action (e.g., Budget Change Proposal [BCP]) to Finance for consideration. See BL 06-04, 2007-08 Budget Preparation Guidelines, issued March 28, 2006, for instructions on submitting BCPs.

IT proposals (FSRs and SPRs) that have related budget actions for consideration and inclusion in the 2007-08 Governor's Budget must be received by Finance no later than July 17, 2006. Departments are reminded that the requested budget action may not be approved if the associated IT project document has not been approved by Finance when the budget action is submitted to the Legislature. Information concerning the submission of budget actions for the spring process will be addressed in a future BL. For IT proposals that have related budget actions meeting the spring process submission criteria, the associated

project document must be received by Finance no later than January 16, 2007. FSRs or SPRs that are incomplete or submitted as "placeholders" for Finance consideration of a BCP, may be returned to the agency along with the corresponding BCP without consideration.

Cost Thresholds

Finance assigns each department a minimum total project development cost threshold for reporting purposes. Any IT proposal with an estimated total development cost equal to or less than the department's assigned cost threshold is delegated to the department for investment and expenditure approval, provided the proposal does not meet any other Finance established reporting criteria defined above.

The total development cost is synonymous with one-time project cost and includes all estimated or projected costs associated with the analysis, design, programming, verification and validation services, staff training, data conversion, acquisition, and implementation of an IT investment. Excluded from development costs are estimated costs of continued operations and maintenance.

Delegation does not eliminate the requirement for proposal documentation and approval, consistent with state reporting requirements. The department director and budget officer must approve the proposal in lieu of Finance approval. Department CIOs are expressly reminded to obtain all necessary approvals for both delegated and non-delegated projects. Further, the department is responsible for maintaining documentation supporting the departmental decisions relative to the proposal.

A list of departments and their assigned cost threshold for reporting IT expenditures/proposals to Finance is provided in Section 15, Departmental Delegated Cost Thresholds, at the Finance-SIMM website previously referenced. Similarly, the list of the OTROS Review and Oversight managers assigned to each department can be found at the Finance website located at http://www.dof.ca.gov/OTROS/OTROS_Assignments.asp.

IT Report and Activity Summary

Departments are also required to collect and provide, when requested, other IT related information. A summary of the various IT reporting activities, the policy reference requiring the action, submission instructions for documents specific to each activity, and the associated due dates are provided in Section 05A, Required IT Reports and Activities, at the Finance-SIMM website. Some formal reporting activities to Finance have been suspended, as referenced in SIMM Section 05A. Although formal reporting for some of these activities has been suspended, departments are still required to collect and maintain the required IT related information. For additional information regarding specific reporting requirements discussed in SIMM Section 05A, refer to the specific SAM Sections or BLs applicable to each activity.

AIO, CIO, and Chief ISO Reporting

Please be reminded that Executive Order D-59-02 required departments and Agencies to modify, if necessary, internal reporting relationships so that the CIO and Chief ISO report directly to their department director and AIOs report directly to their Agency Secretary. The intent is to ensure that Directors and Agency Secretaries are fully informed about major IT issues and risks, and are fully responsible for IT operations and performance. It is acceptable to create this reporting relationship on a functional basis rather than reorganize the department.

IT Budget Information Subscription Service

Finance's OTROS maintains a subscription service for individuals interested in receiving IT related information electronically. This IT Budget Information subscription service is implemented to ensure that all CIOs receive IT related BLs and other budget information related to IT. It is the ongoing responsibility of each agency or department to keep its subscription information current by having CIOs and other designated staff subscribe and unsubscribe to reflect personnel changes.

To subscribe or unsubscribe, go to web link: <http://www.dof.ca.gov/archives/dofitbudgetinfo.html>

For any technical assistance regarding the subscription service, please e-mail <mailto:webmaster@dof.ca.gov>.

If you have any questions regarding preparing and updating IT project proposals and for IT project oversight, please contact your OTROS Review and Oversight manager at (916) 445-1777. For questions regarding IT security, contact the IT Security Officer at (916) 445-5239. Comprehensive information regarding statewide IT policy can be found at the Finance website located at: http://www.dof.ca.gov/HTML/IT/Statewide_IT.htm.

/s/ Fred Klass

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